

Department of Justice
U.S. Attorney's Office
Western District of Washington

FOR IMMEDIATE RELEASE

Friday, August 4, 2017

**Developer Sentenced to 4 Years in Prison for Defrauding
Investors seeking Permanent Residency under Federal
Immigration Program**

**Submitted Falsified Documents and Diverted Money for his
Personal Benefit**

A Bellevue developer who fraudulently obtained over \$235 million dollars during his real estate investment scheme, including over \$140 million from immigrant investors, was sentenced today in U.S. District Court in Seattle to four years in prison, announced U.S. Attorney Annette L. Hayes. LOBSANG DARGEY, 43, entered guilty pleas in January 2017 to two federal felonies, admitting that he defrauded immigrant investors, federal regulators, and institutional investors. DARGEY promised to use the immigrant investors' investment funds in compliance with a federal immigration program designed to stimulate growth and create jobs. Instead, he secretly diverted tens of millions of dollars of investor funds to unauthorized uses and used falsified financial records in an attempt to obtain additional funding to make up the shortfall. At the sentencing hearing, U. S. District Judge Robert S. Lasnik said DARGEY engaged in "reckless behavior . . . putting these people in jeopardy of never achieving their immigration dreams."

"This defendant stole not just money but something that he knew from personal experience was much more valuable – the right to come to the United States and live the American dream," said U. S. Attorney Annette L. Hayes. "Many of the investors that the defendant defrauded sold everything they had in China in reliance on his promises. They now live in limbo – with their money tied up in litigation and no idea of whether their dream to live in this country will come true."

According to records filed in the case, between 2012 and 2015, DARGEY recruited overseas investors, primarily in China, to fund two development projects – one in Everett, Washington known as the "Path American Farmer's Market" and one in Seattle's Belltown neighborhood known as the "Potala Tower." DARGEY promoted the projects under the federal "EB-5" program, which allows immigrant investors to qualify for permanent residency if they create American jobs by investing \$500,000 in a

qualifying American business project. DARGEY represented to the immigrant investors and to the U.S. Department of Homeland Security that he was investing all of investors' funds in the Everett and Seattle projects in compliance with program requirements.

Contrary to his promises, DARGEY used tens of millions of investor dollars for uses not allowed under the federal program and not disclosed to investors. This included approximately \$11.5 million of investor funds that DARGEY secretly used to pay unauthorized sales expenses, including sales commissions to Asian brokers. The money also went for lavish meals, expensive gifts, and cash withdrawals at casinos, and the purchase of a \$1.4 million Bellevue home for a DARGEY business associate. DARGEY withdrew over \$10 million in investor funds from the project as developer fees to fund his lavish lifestyle, including his purchase of a \$2.5 million home in Bellevue.

In addition, DARGEY told investors and the United States government that DARGEY would contribute \$32.5 million of his own money toward the projects. In fact, DARGEY admitted that he did not contribute any funds to the projects. DARGEY's fraud resulted in tens of millions of dollars in funding shortfalls for the EB-5 approved projects. DARGEY attempted to fill these shortfalls by using a falsified bank statement to obtain a \$25 million construction loan, and by using altered financial statements to obtain \$60 million in additional funding from a private institutional investor.

Of the 281 foreign investors defrauded by DARGEY, none has received permanent resident status in the United States. A majority of the investors have had their applications denied because of DARGEY's fraud, and are appealing the denials. Some wrote to the court explaining the damage DARGEY's conduct caused:

- Investor Y.Y. wrote: In order to provide our children with better lives and study environments, we sold our one and only real estate so as to accumulate money for the American EB-5 investment immigration [program].... Lobsang's illegal behavior has destroyed our immigration dream.
- Investor Y.W. wrote: Many younger investors like me had to dramatically alter their life path. Some adults were forced to return to China without finishing their college degree.
- Investor Z.C. wrote: "...because of defendant's illegal behavior, it led us to live in fear and suffer huge mental damage because our lives can be cancelled at any moment.... My wife is so afraid that she dares not pick up the mail for fear of receiving a deportation notification."

"Mr. Dargey's selfish greed twice robbed his investors as he seized both their funds and jeopardized their dreams for a future life in the United States," said Acting Director

of U.S. Citizenship and Immigration Services James McCament. “We are grateful to our many law enforcement partners who helped to deliver justice in this case and uphold the integrity of the EB-5 Program.”

U.S. Citizenship and Immigration Services administers the EB-5 Program. Under this program, entrepreneurs (and their spouses and unmarried children under 21) are eligible to apply for permanent residence if they make the required investment in a commercial enterprise in the United States and plan to create or preserve 10 permanent full-time jobs for qualified U.S. workers.

DARGEY’s fraudulent conduct came to an end in August 2015, when the Securities and Exchange Commission filed a civil suit and won a court order freezing his assets. The FBI simultaneously executed search warrants at DARGEY’s offices in Bellevue and Everett.

As part of his plea agreement in this case, DARGEY agreed to provide restitution of more than \$24 million to the investors.

The case was investigated by the FBI and is being prosecuted by Assistant United States Attorneys Justin Arnold and Seth Wilkinson. The Department of Justice appreciates the assistance of the Securities and Exchange Commission and U.S. Citizenship and Immigration Services in connection with this matter.